

MISSION, STRATEGIES AND ACTIONS

Mission Statement

Energy and Resources promotes and manages responsible growth and development of energy, mineral, and forestry resources to generate wealth and opportunity in Saskatchewan.

Value Proposition

We deliver high quality and timely service to our clients and stakeholders

Energy and Resources Core Business

Advance Resource Development – Increase resource exploration, development and investment

Regulate Resource Development – Require compliance with recognized standards within a responsible, predictable, and competitive framework

Generate Resource Revenue – Collect a fair economic rent that is predictable and transparent

Operate Effectively – Ensure timely, responsive and effective decision making, and service delivery

Advance Resource Development

Increase resource exploration, development and investment

Strategy

Optimize resource production and utilization

Key Actions

- 1. Encourage industry to introduce new infrastructure and adopt the use of technology to improve recovery and encourage the full utilization of hydrocarbons.
- 2. Optimize the capture of natural gas associated with oil production.
- 3. Support research and development at the Petroleum Technology Research Centre (PTRC) that leads to increased production by Saskatchewan's oil sector.
- 4. Continue the Saskatchewan Petroleum Research Incentive (SPRI) and examine new incentives.
- 5. Support government's pursuit of resource based value-added development opportunities.
- 6. Work with ministries and agencies to facilitate placement of infrastructure (e.g. roads, power, water, communications) to support and accelerate resource development.
- 7. Facilitate aboriginal participation in forestry development.



Photo Credit: Enterprise Saskatchewan, Greg Huszar Photography, Mosaic Belle Plaine site

Strategy

Maintain a competitive business climate

Key Actions

- 1. Continue with a progressive and attractive framework for mineral rights management.
- 1. Examine royalty structures for mineral commodities that have yet to be developed.
- 1. Consider the development of a market based forestry dues and fees structure.

Strategy

Promote investment opportunities

Key Actions

- 1. Participate in key international tradeshows and events which promote Saskatchewan resource opportunities.
- 1. Develop and deliver business and marketing strategies to promote investment.
 - 2. Update mineral marketing materials, and;
 - 2. Increase the variety of materials in select foreign languages.
- 1. Enhance the ministry website and the provision of on-line information.

Strategy

Encourage new resource discoveries

Key Actions

- 1. Ensure ministry policies promote increased exploration activities to increase investment opportunities.
 - 2. Continue to provide an effective Mineral Exploration Tax Credit (METC) program.
- 1. Gather, interpret and disseminate geosciences information.
 - 2. Profile the latest geosciences information at the annual Geological Open House to increase investment opportunities.



Photo Credit: Ministry of Tourism, Parks, Culture and Sport, photo by Paul Austing, Buffalo Narrows

Regulate Resource Development

Require compliance with recognized standards within a responsible, predictable and competitive framework

Strategy

Manage regulatory framework compliance

Key Actions

- ⌚ Introduce measures to reduce flaring and venting where it is feasible to capture the gas for commercial uses.
- ⌚ Develop best practices information and regulatory compliance guidelines.
 - ⌚ Research current techniques in compliance enforcement.
 - ⌚ Identify the most common compliance issues and propose solutions.
- ⌚ Conduct follow-up assessments and technical reviews of approved oil and gas projects.
- ⌚ Conduct field inspections and enforcement activities to ensure environmental protection and public health and safety.

Strategy

Adapt and improve the regulatory framework

Key Actions

- ⌚ Maintain up-to-date and effective Acts and Regulations.
- ⌚ Ensure an effective consultation process with mineral and petroleum interests and stakeholders.
- ⌚ Look for opportunities to standardize regulatory processes and practices across resource sectors and among jurisdictions.

Strategy

Manage long term resource liabilities

Key Actions

- ⌚ Administer existing liability programs such as the Institutional Control Program and the Orphan Well Program.
- ⌚ Work with Saskatchewan Research Council and the federal government on abandoned uranium mine clean-up activities.
- ⌚ Assess the need for a long-term pipeline liability program.



Photo Credit: Tourism Saskatoon, City of Bridges

Operate Effectively

Ensure timely, responsive and effective decision making and service delivery

Strategy

Ensure a vibrant, effective and accountable organization

Key Actions

- ⇨ Update key ministry strategic planning documents.
- ⇨ Align division, branch and individual plans to reflect ministry priorities.
- ⇨ Build employee capacity and effectiveness through learning and professional growth opportunities.
- ⇨ Ensure employees have appropriate work environments, tools and technologies to effectively conduct business.

Strategy

Foster a culture of customer service

Key Actions

- ⇨ Identify and encourage best practices in client service delivery.
- ⇨ Enhance outreach efforts with clients, stakeholders and the public.
- ⇨ Perform service quality evaluations.



Photo Credit: Courtesy of Enterprise Saskatchewan, oil pumpjack (Southeast Sask.)

Strategy

Integrate policies, programs, processes and system reviews to support ministry direction

Key Actions

- ▮ Be leaders in business process improvement and Lean practices.
- ▮ Progress toward full electronic records management.
- ▮ Identify alternative service delivery opportunities.
- ▮ Continue with implementation of major business process and system renewals.
 - ↳ PRIME (Process Renewal and Infrastructure Management Enhancements)
 - ↳ Implement introduction of on-line petroleum production, and sales reporting system;
 - ↳ Implement electronic invoicing; and,
 - ↳ Enhance monitoring and analytics capabilities.
 - ↳ MARS (Mineral Administration Registry Saskatchewan)
 - ↳ Implement on-line mineral staking system.
- ▮ Support the operational activities associated with the implementation of new processes and systems.
- ▮ Pursue opportunities with New West partners to achieve ministry mandate.



Photo Credit: Tourism Saskatchewan, Hans-Gerhard Pfaff, Downtown Regina

Generate Resource Revenue

Collect a fair economic rent that is predictable and transparent

Strategy

Optimize revenues

Key Actions

- ▮ Ensure royalty structures reflect the value of commodities.
- ▮ Monitor royalty developments in other jurisdictions.
- ▮ Identify and assess potential new revenue opportunities.

Strategy

Ensure financial compliance

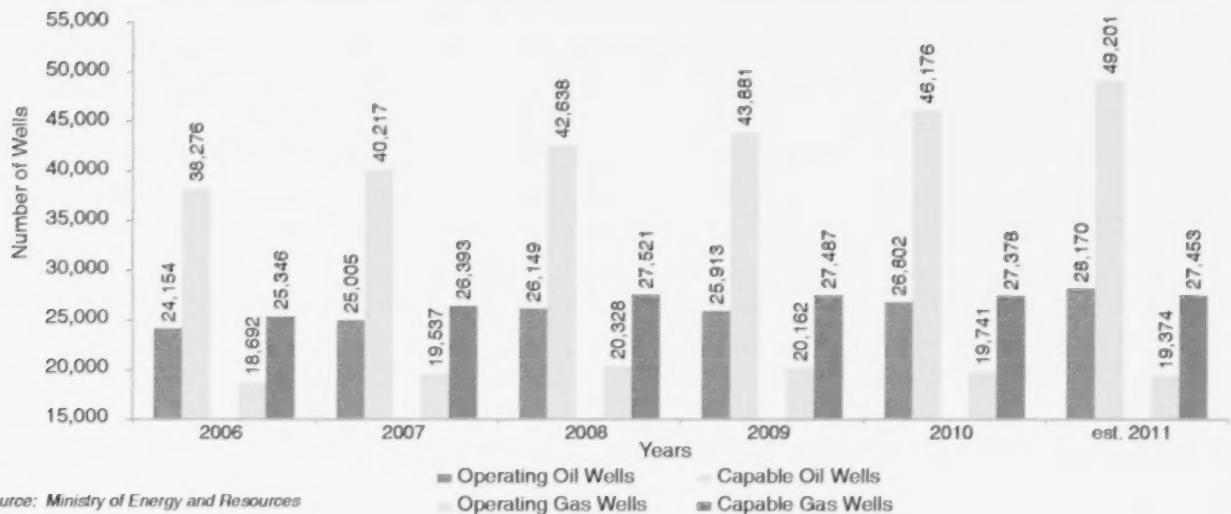
Key Actions

- ▮ Apply risk-based audit practices across resource sectors.
- ▮ Ensure timely forecasts and budgets for expenditures, and resource revenues.

PERFORMANCE MEASURES

Measure

Oil and Gas Service Capable and Operating Well Count



Measure Description

The number of capable oil and gas wells in the province has increased from fewer than 50,000 wells in 2002 (not shown) to more than 76,600 wells in 2011 (an increase of greater than 50 per cent). This measure is an indicator of demand on the administrative processes and service levels required to perform the Ministry's management of resources as the number of wells in the province increases. Provincial officials monitor the oil and gas wells in Saskatchewan because of the importance of this non-renewable resource to our provincial economy. Saskatchewan is the second largest oil producer in Canada, second only to Alberta and also the third largest producer of natural gas behind British Columbia and Alberta.

The Ministry monitors various aspects of oil and gas well activity from a regulatory (operational safety) and revenue perspective (royalties and taxation). The number of capable oil and gas wells provides an indication of the total amount of information recorded and maintained by the Ministry about each well in the province. The information that is maintained includes well records, drilling information, well status, ownership, completion information, core analyses, pressure and fluid analyses, drill stem tests, logging surveys, casing details, geologic formation tops, oil, gas and water production levels, etc. for each well drilled under The Oil and Gas Conservation Regulations, 1985.

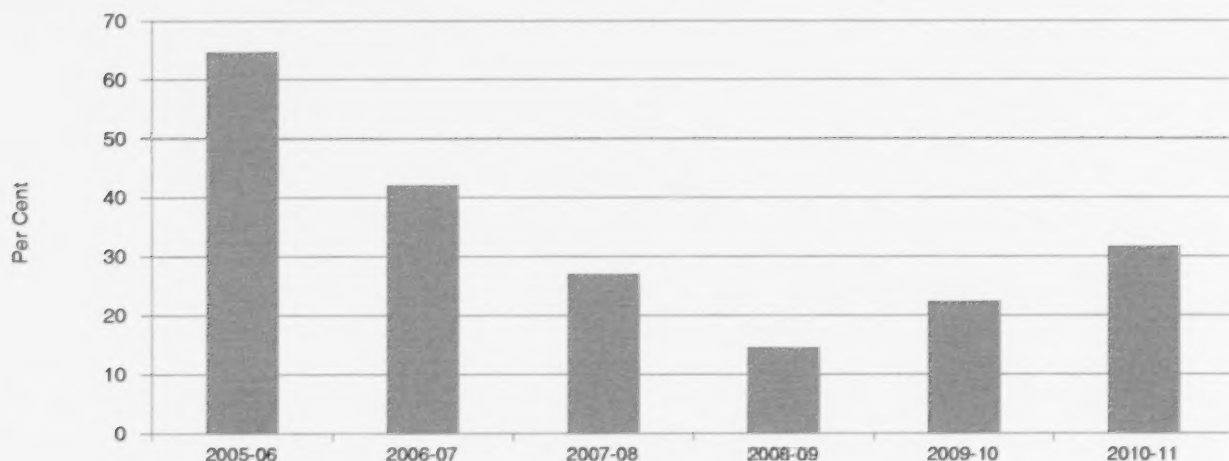
By monitoring the number of capable wells in Saskatchewan, the Ministry is able to gauge ongoing activity in oil and gas production, forecast and anticipate provincial revenues, and plan the human and financial resources the Ministry will need to regulate the industry. The Ministry is also able to estimate the number of wells that may be shut-in until productive capacity is restored (perhaps with new technology) or potentially abandoned or left orphaned at some future point by comparing the number of capable wells with wells operating and producing oil and gas.



Photo Credit: Courtesy of Enterprise Saskatchewan, La Ronge, Saskatchewan

Measure

Per cent of annual allowable cut harvested, by fiscal year



Source: Ministry of Environment/Ministry of Energy and Resources

Measure Description

The percentage of annual allowable cut (AAC) harvested reflects the effectiveness of the balance between environmental protection and economic development. The annual allowable cut is determined using a variety of environmental factors to ensure long-term forest sustainability. The Ministry of Environment determines the annual maximum allowable cut but individual companies determine the percentage of the allowable cut they will actually harvest based on a number of market-based factors that include demand and available prices for forest sector products. This measurement is for the commercial forest zone only and does not include the Suggi Lowlands and the Nemeiben Forest Area.

The chart above shows the extent to which Saskatchewan's forest sector has been negatively affected by external markets which forced downsizing of primary forest sector activity and the closure of lumber, oriented strand board (OSB), pulp and paper mills across Canada in recent years. A comparison of Saskatchewan with both neighbouring provinces shows that in 2008-09 Manitoba harvested 22.0% of its AAC (http://nfdp.ccfm.org/supply/quick_facts_e.php) while Alberta harvested 77.8% of its AAC (<http://www.srd.alberta.ca/newsroom/ministersoffice/documents/srd-annualreport-2010-11.pdf>). Saskatchewan harvested 14.5% in what proved to be its lowest harvest volume year in decades. Caution must be exercised in attempting a direct inter-jurisdictional industry health comparison based on percentage AAC harvested.



Photo Credit: Ministry of Tourism, Parks, Culture and Sport, photo by Paul Austing, Blue Sky over Duck Mountain

Measure Description Continued

The Ministry of Energy and Resources' efforts in forestry development are designed to facilitate the long-term transition of the sector to a highly-competitive, value-added industry. By monitoring the amount of wood cut each year, the Ministry is able to gauge how well its efforts and programs function. This evaluation must also be considered in view of economic and market forces prevailing in the North American and the world. How well these forces can be mitigated with government responses is often dictated by fiscal capacity, international trade agreements and trade measures such as quotas which limit exports of our production.

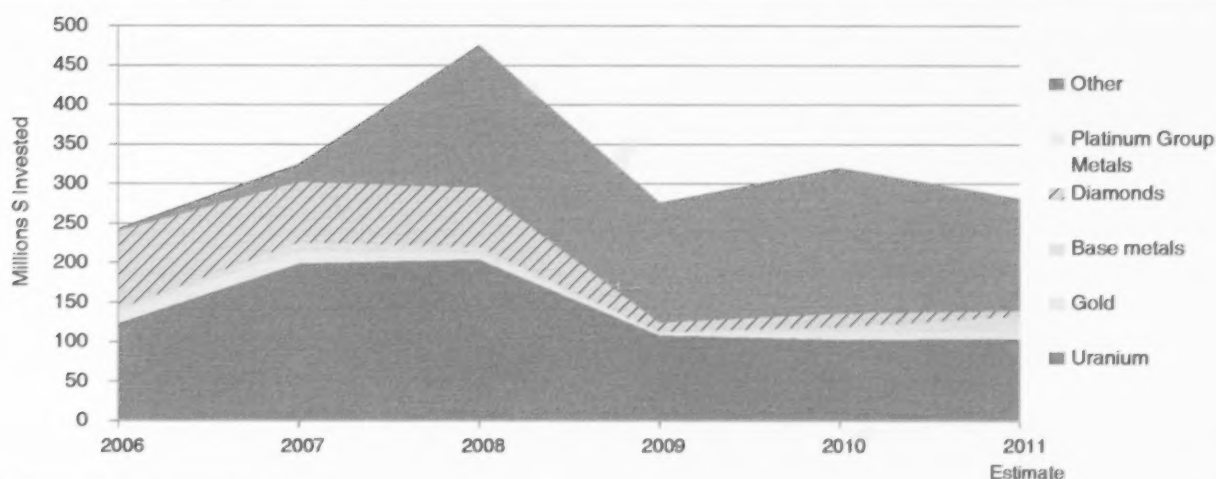
The risks associated with this measure relate to external factors. Reliance upon the U.S. housing markets, the Canada-U.S. Softwood Lumber Agreement, and global demand for fibre, heavily influence the results. Also, a lengthy time lag exists between the introduction of programs and business enabling efforts by the Ministry of Energy and Resources, the Ministry of Environment, other ministries, and observed results. The increased per cent harvest in 2010-11 is attributable to re-starts and increased production in other existing wood processing facilities.



Photo Credit: Courtesy of Enterprise Saskatchewan, Hather Exploration Camp

Measure

Mineral exploration in Saskatchewan (millions of dollars invested per calendar year)



Source: Ministry of Energy and Resources

Measure Description

Saskatchewan's large and diverse mineral sector is comprised of three inter-related components: mineral exploration, mining, and value-added activities. It is one of the most technologically advanced industries in the province. Mineral exploration is crucial to sustaining and growing the sector. As natural resources continue to deplete, new mineral deposits must continually be explored for and discovered, not only to enable existing mining operations to continue to operate but also to enable the expansion and growth of the sector through the development of new mining operations. Ongoing exploration also commonly leads to the discovery of new commodities for development, broadening and diversifying the overall mineral sector. The exploration industry includes a variety of players ranging from prospectors to junior exploration companies to senior, international corporations.

This measure tracks mineral exploration for select commodities ("Other", above, includes commodities such as coal, rare earth minerals and potash. While potash is the predominant mineral in this category, it must be combined with other minerals so that the ministry can maintain confidentiality about data that could reveal company-specific activities). The relatively high levels of mineral exploration present a variety of opportunities for direct employment and business development particularly for geographic regions close to the major centres of exploration, as well as for more regional centres. The measure helps indicate demand for Saskatchewan mineral resources and identifies possible future developments including the attractiveness of Saskatchewan, in particular, to Asian investors. According to a Natural Resources Canada survey of provincial and territorial exploration spending, Saskatchewan ranked fourth in Canada in 2010, behind only Ontario, Quebec and British Columbia.



Photo Credit: Tourism Saskatchewan, Greg Huszar Photography, Jones Peak, near Eastend

Measure Description Continued

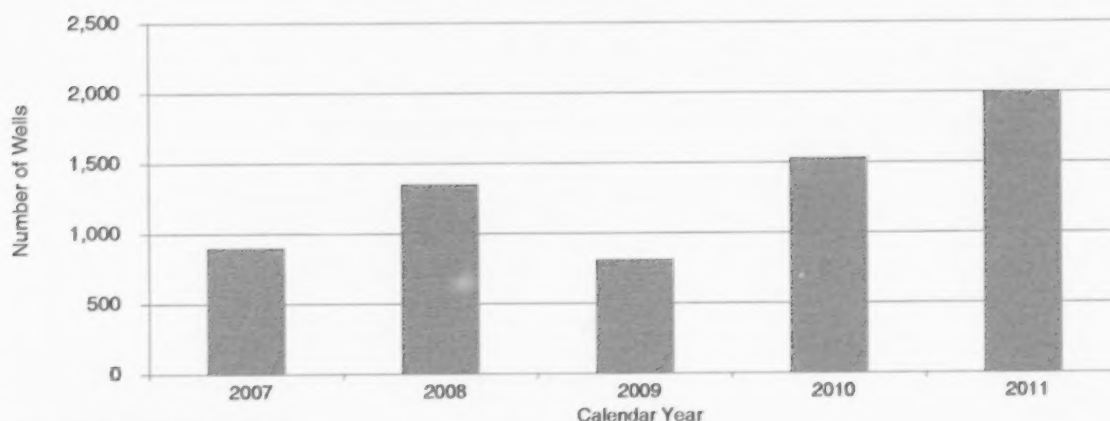
In 2011, exploration spending decreased by about \$40 million compared to 2010, but remains significantly above historic levels. The Saskatchewan Geological Survey's regional bedrock mapping program is augmented by new geosciences initiatives, such as the development of 3D geologic models of the Athabasca Basin (uranium), Prairie Evaporite (potash) and Flin Flon area sub-Phanerozoic (gold and base metals). The province has established collaborative agreements with Southwest Australia, China and India which include exchanges of technical and policy information.



Photo Credit: Tourism Saskatchewan, Davin Andrie, Hunt Falls

Measure

Horizontal oil well drilling



Source: Ministry of Energy and Resources

Measure Description

The level of horizontal drilling in the province is an indication of the effectiveness of the province's regulatory and fiscal provisions. It is also an indicator of the application of improved technologies in the province as well as an important measure of the level of investment in the province. Horizontal well drilling continues to increase and has become an accepted or standard practice in many reservoirs in the province.

A rebound in oil prices beginning late 2009 contributed to a record 1,531 horizontal oil wells drilled in 2010. In 2011 Saskatchewan once again set a new horizontal oil well drilling record with 1,992 horizontal oil wells drilled. This new horizontal oil well drilling record is a 30% increase over the 2010 record.

With current oil prices and oil production potential in Saskatchewan, industry has been able to develop new technologies and refine current techniques in order to increase the recoverable oil reserves in Saskatchewan. The application of these new techniques and refinements has allowed industry to successfully develop large oil plays such as the southeast Bakken play and show a renewed interest in plays such as the Viking and Birdbear formations in the west as well as the Lower Shaunavon play in the southwest.

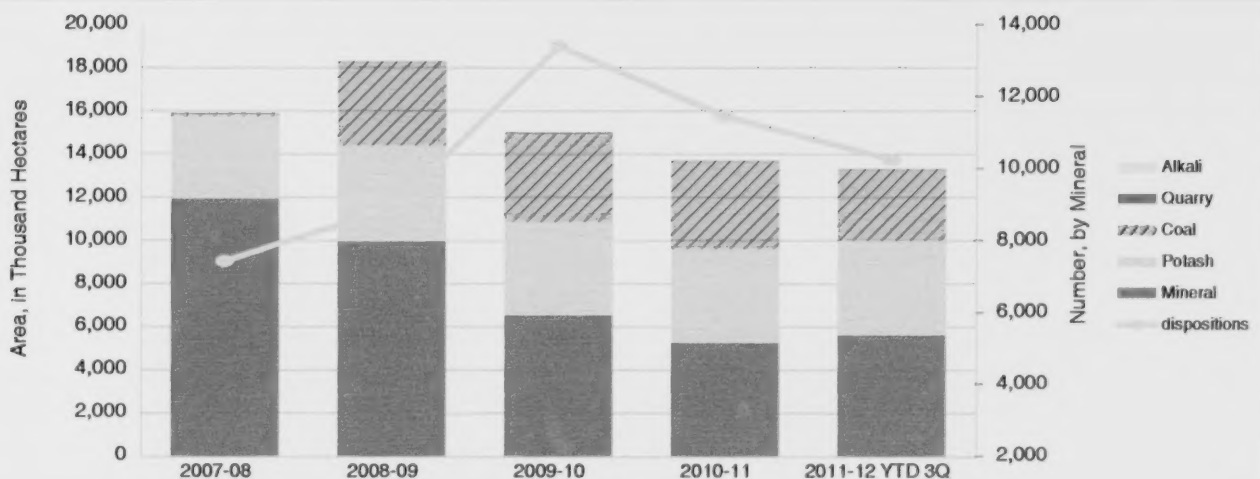


Photo Credit: Courtesy of Enterprise Saskatchewan, Sub-surface Geological Lab

Measure

Crown metallic and industrial mineral dispositions

(by area, in thousand hectares, and number by mineral and fiscal year to 2011-12 Q3)



Source: Ministry of Energy and Resources

Measure Description

This measure indicates how well the Ministry manages rapid changes in dispositions of our vast mineral resources to minimize delays in approvals of new claims, permits and leases as well as registering ownership transfers to provide important service to industry. The chart above displays activity by major mineral category (in the table above, "Mineral" includes uranium, gold, diamonds and platinum group minerals). In 2008 and 2009, discoveries of coal greatly increased the volume of dispositions processed by the Ministry. Industry must continue to explore such deposits and determine whether development of mining or other processing options are viable. Increases in the total land area of Crown-owned mineral lands being leased and permitted for mineral exploration is an indication of how growth in mineral exploration and development activity in Saskatchewan relates to interest in specific commodities. Such activity contributes to increased likelihood of discovery of economically recoverable deposits of minerals.

After 2008-09, the land disposed for mineral exploration (uranium, gold, diamonds, etc.) decreased steadily until 2011-12. This trend is expected to continue. The area disposed for potash increased slightly in 2008-09 and remained stable thereafter. The area disposed for coal rose to nearly 4 million hectares in 2008-09.

The above disposition fluctuations for minerals, potash and coal are the normal aftermath of staking rushes experienced from 2006 to 2008. The exploration for these minerals remains well above historical levels but the response of the stock market to these prospects was more subdued.

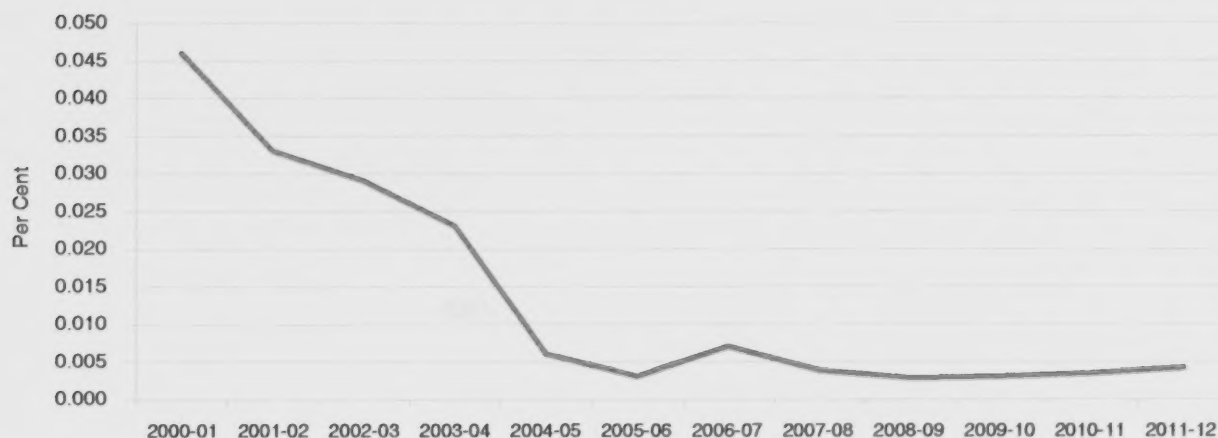
The Mineral Administration Registry Saskatchewan (MARS), under development since 2007 will be implemented in 2012-13 and will greatly simplify and speed-up the granting of mineral dispositions while significantly decreasing the cost to the applicant by eliminating ground staking. This is expected to increase the attraction of the Province and will, over time, be extended to other commodities.



Photo Credit: Tourism Saskatchewan, Greg Huszar Photography, Fishing on Jan Lake

Measure

Uncollectible resource revenues



Source: Ministry of Energy and Resources

Measure Description

The term uncollectible revenues refers to the amounts of non-renewable resource revenues that are written off as bad debts and are expressed as a percentage of revenues recorded. The Ministry ensures the timely and optimal collection of revenues, on behalf of the government, from the production and sale of Saskatchewan's energy and mineral resources, the sale of Crown mineral rights and other associated taxes, services and fees.

The Ministry takes action to achieve an acceptable level of assurance that all royalties, taxes and fees to which the Province is entitled are properly determined and reflected in the Ministry's accounting records, and that the amounts owing are paid. In order to achieve an acceptable level of assurance, the potential risks are evaluated, auditing and monitoring processes and procedures are established, and human and technical resources are utilized to mitigate those risks. The Ministry assesses the adequacy of these processes and resources on an ongoing basis, and enhances them as it deems necessary. The client groups affected by these programs are the mineral industry, the oil and gas industry, individuals and companies that have a working interest in the Saskatchewan oil and gas and mining industry, private mineral owners, and purchasers of products and services that the Ministry provides.

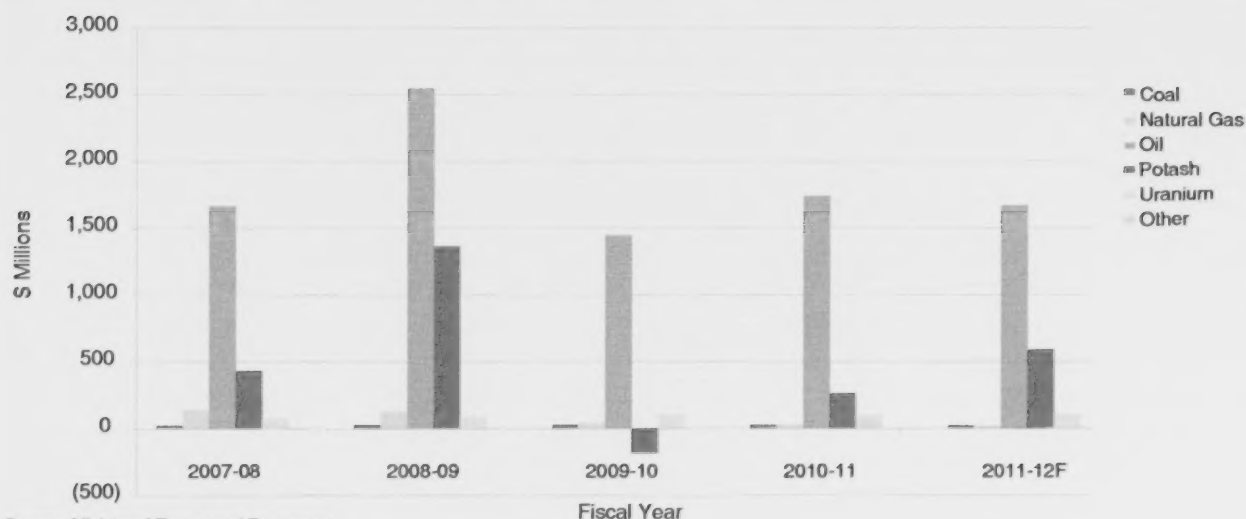
Inherent in this measure is a reflection of the financial stability of resource companies carrying on business in Saskatchewan. The lower the percentage of uncollectible revenues, the more stable are the private sector companies remitting payments to the Province.



Photo Credit: Courtesy of Enterprise Saskatchewan, Oil pumpjacks, Southeast Saskatchewan

Measure

Historical Non-Renewable Resource Revenue



Source: Ministry of Energy and Resources

Measure Description

The mineral sector is vital to Saskatchewan's economy, contributing over \$400 million each year in Crown revenues used to support important social programs. Mining supports 30,000 jobs, including almost 2,000 direct jobs in northern Saskatchewan and contributing over \$1.5 billion annually in wages and \$7.7 billion of GDP.

Over the past five years, the Ministry has collected an average of \$2.493 billion in non-renewable resource revenue, or approximately 22% of the total revenue received by the Government of Saskatchewan. The revenues collected by the Ministry not only have a large bearing on the health of government finances, but also reflect on the health of some of the largest sectors of the Saskatchewan economy.

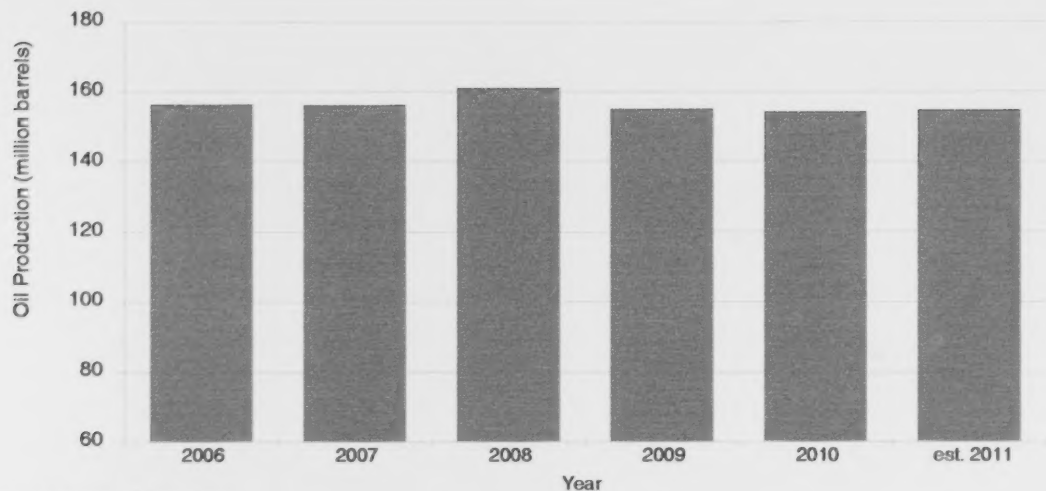
The negative potash revenue for 2009-10 was mostly due to negative potash profit tax primarily as a result of decreased sales, increased capital spending and an overestimate of previous year's profit tax. As a result, the Ministry was obligated to make refunds to the potash industry.



Photo Credit: Enterprise Saskatchewan, photo by Cal Fehr, Cameco's McArthur River mine site

Measure

Saskatchewan Crude Oil Production



Source: Ministry of Energy and Resources

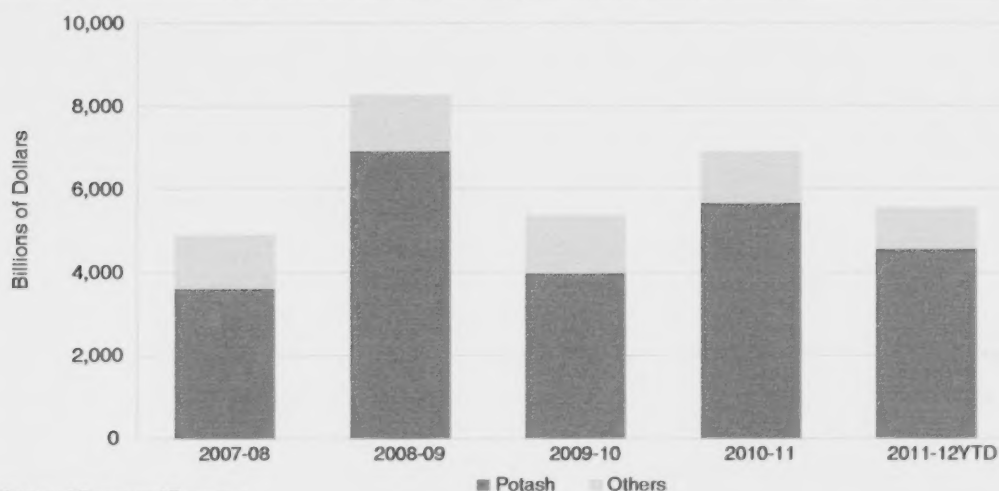
Measure Description

Oil production levels have been relatively steady over the past decade as the production levels from newly drilled wells have generally offset the decline in production of existing wells. This measure is a good indicator of the economic health of Saskatchewan and sustainability of Saskatchewan's petroleum industry.

Oil production is influenced by many factors including drilling and recovery techniques, competitive fiscal structures, weather and commodity prices. The spike in oil prices during the first half of 2008 resulted in a significant increase in oil activity and the setting of a record year for oil production. Late in 2008 and into 2009 there was a big downturn in oil prices due to a global economic recession, resulting in a decline in provincial drilling activity and production levels in 2009. By the end of 2010, with the markets rebounding, oil prices recovering and industry increasing drilling activity, Saskatchewan maintained a strong level of oil production. Also, despite flooding in southeast Saskatchewan in the spring, production levels remained stable in 2011.

Measure

Value of Mineral Sales



Source: Ministry of Energy and Resources

Measure Description

This measure reflects the creation of wealth resulting from the utilization of Crown minerals by the private sector and how responsive the ministry is to changing economic conditions.

Due to confidentiality of information, the above chart can only display the value of sales for the potash industry and for all other non-petroleum industries aggregated.

The value of potash sales was exceptional in 2008-09. A combination of very high prices and high production levels resulted in a sales figure that was nearly double any previous year (in current dollars). The following year saw a dramatic correction in sales, but these returned to normal in 2010-11 and during the first three quarters of 2011-12, with prices increasing over time. A recent sales slow-down has dampened expectations for the balance of 2011-12. However, the year is already the third best and may eventually become the second best on record.



Photo Credit: Tourism Saskatchewan, Greg Huszar Photography, Elbow Marina

Measure

Mineral Investment Climate - Inter-jurisdictional Comparison by the Fraser Institute

	2011-12	2010-11	2009-10	2008-09	2007-08
Alberta	18/93	32/79	32/72	34/71	28/68
B.C.	35/93	42/79	31/72	39/71	37/68
Manitoba	11/93	17/79	22/72	29/71	5/68
New Brunswick	27/93	38/79	26/72	28/71	14/68
Nfld.&Labrador	8/93	25/79	17/72	9/71	27/68
N.W.T.	46/93	59/79	53/72	46/71	43/68
Nova Scotia	51/93	51/79	40/72	54/71	47/68
Nunavut	30/93	50/79	46/72	27/71	45/68
Ontario	23/93	19/79	30/72	21/71	14/68
Quebec	9/93	2/79	3/72	1/71	2/68
Saskatchewan	4/93	3/79	6/72	5/71	10/68
Yukon	3/93	11/79	11/72	16/71	13/68

Source: Fraser Institute

Measure Description

In February 2012 the Fraser Institute, ranked Saskatchewan the sixth most attractive jurisdiction in the world for mineral exploration and development (Policy Potential Index). The survey is based on the opinions of mining executives rating the investment climate of 93 jurisdictions around the world. The 93 jurisdictions include Canada, U.S.A., Australia, Oceania, Africa, Latin America and Eurasia.

Geological and economic evaluations are requirements for exploration but in today's globally competitive economy where mining companies may be examining properties located on different continents, a region's policy climate has taken on greater importance in attracting and winning investment. Government policies include administration, interpretation, and enforcement of existing regulations; environmental regulations; regulatory duplication and inconsistencies; taxation; uncertainty concerning native land claims and protected areas; infrastructure; socioeconomic agreements; political stability; labor issues; geological database; and security.

In the chart above, the current mineral potential index is based on respondent's answers to the question about whether or not a jurisdiction's mineral potential, under the current policy environment, encourages or discourages exploration. This takes into account mineral potential, meaning that some jurisdictions that rank high in the Policy Potential Index, but have limited hard mineral potential, will rank lower in the current mineral potential index. Good policy will encourage exploration, which in turn will increase the known mineral potential.

FINANCIAL SUMMARY

2012-13 Estimates	(in thousands of dollars)
Central Management and Services	22,174
Forestry Development	3,127
Revenue and Planning	2,652
Petroleum and Natural Gas	9,298
Minerals, Lands and Policy	10,909
Ministry Operations Appropriation	48,160
Capital Asset Acquisitions	(7953)
Capital Asset Amortization	2,830
Total Appropriation	43,037
FTE Staff Complement	253.5

For more information, see the Budget Estimates at: <http://www.finance.gov.sk.ca/budget2012-13>

Ministry of Energy and Resources 2012-13 Spending by Division

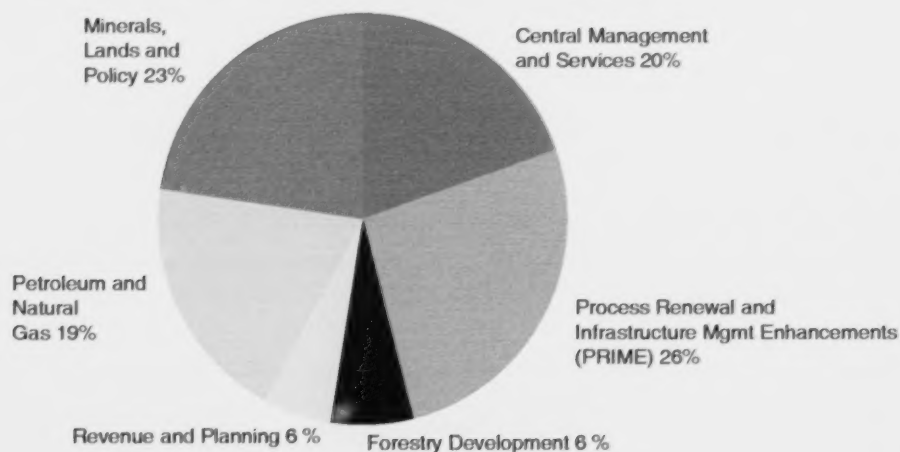




Photo Credit: Tourism Saskatchewan, David Buckley, Canoeing, MacFarlane River

Highlights

- ▮ Continue the modernization of the ministry's oil and gas business processes and related systems and regulations, with full participation by the oil and gas industry in the online Petroleum Registry and with \$12.8 million in capital and expense funding in 2012-13 to the ministry's Process Renewal and Infrastructure Management Enhancements (PRIME) project.
- ▮ Continue to promote Saskatchewan's energy and mineral investment opportunities at major industry investment forums and through international trade missions.
- ▮ Bring the Mineral Administration Registry Saskatchewan (MARS) online, thus allowing for the web-enabled allocation and administration of mineral tenure.
- ▮ Pursue joint energy sector initiatives with Alberta and British Columbia under the New West Partnership Energy MOU, including development of targeted investment attraction materials and sharing of regulatory best practices.
- ▮ Begin implementing the new standards to reduce greenhouse gas emissions from the flaring and venting of associated natural gas.
- ▮ Allocate \$700,000 to complete the expansion of the ministry's Subsurface Geological Laboratory, a Regina-based reference facility for industry, academics and research institutions.
- ▮ Provide \$1.7 million in funding to "green" energy initiatives, including support of the Petroleum Technology Research Centre.
- ▮ Provide \$1.5 million in annual education and business development support to First Nations that are accessing new resource development opportunities.

For More Information

Please visit the Ministry's website at www.er.gov.sk.ca for more information on the Ministry's programs and services.

Front Page Photo Credits

Canola and flax fields

Photographer, Charles Melnick

Biking, Narrow Hills Provincial Park

Greg Huszar Photography

Motherwell Homestead National Historic Site of Canada

Greg Huszar Photography

Saskatchewan Legislative Building

Greg Huszar Photography